

**ASSOCIATION FOR RETARDED
CITIZENS/OUACHITA**

**Financial Statements
For the Year Ended June 30, 2010**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2/16/11

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA

JUNE 30, 2010

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LUFFEY, HUFFMAN, RAGSDALE & SOIGNIER

(A PROFESSIONAL ACCOUNTING CORPORATION)
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

**The Board of Directors
Association for Retarded Citizens/Ouachita
Monroe, Louisiana**

We have audited the accompanying statements of financial position of the **Association for Retarded Citizens/Ouachita** (a not-for-profit organization - the Association) as of June 30, 2010 and 2009, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the fourth paragraph, we conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of and for the year ended June 30, 2010, and changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Due to errors in entering transactions and conversion to a new software system during the year ended June 30, 2009, we were unable to obtain sufficient evidence to satisfy ourselves about the amounts at which assets, liabilities, revenues and expenses are recorded in the accompanying financial statements as of and for the year ended June 30, 2009. Additionally, said statements have been restated by \$90,188 to recognize revenue previously excluded.

Because of the matters discussed in the above paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the June 30, 2009 financial statements.

**The Board of Directors
Association for Retarded Citizens/Ouachita**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2010, on our consideration of internal control over financial reporting of the Association and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The information included as "Other Supplementary Data" in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Luffey, Huffman, Reynolds, & Signice

(A Professional Accounting Corporation)

October 25, 2010

FINANCIAL STATEMENTS

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA

Statements of Financial Position

	June 30, 2010		
	Unrestricted	Temporarily Restricted	Total
Assets			
Cash	\$ 360,718	\$ -	\$ 360,718
Investments	142,556	106,509	249,065
Accounts receivable			
Services	190,235	-	190,235
Contributions	3,000	-	3,000
United Way	-	136,678	136,678
Other	14,168	-	14,168
Prepaid expenses	3,464	-	3,464
Land, building and equipment	552,543	171,274	723,817
Accumulated depreciation	(444,446)	(102,361)	(546,807)
Other deposits	5,135	-	5,135
Total assets	\$ 827,373	\$ 312,100	\$ 1,139,473
Liabilities and net assets			
Liabilities			
Accounts payable	\$ 60,022	\$ -	\$ 60,022
Accrued payroll and taxes	79,091	-	79,091
Total liabilities	139,113	-	139,113
Net Assets			
Unrestricted	688,260	-	688,260
Temporarily restricted	-	312,100	312,100
Total net assets	688,260	312,100	1,000,360
Total liabilities and net assets	\$ 827,373	\$ 312,100	\$ 1,139,473

The accompanying notes are an integral part of these statements.

**June 30, 2009
(Restated)**

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 192,729	\$ -	\$ 192,729
138,069	103,156	241,225
248,205	-	248,205
-	-	-
-	146,895	146,895
5,553	-	5,553
-	-	-
543,506	171,274	714,780
(421,026)	(71,171)	(492,197)
4,732	-	4,732
<u>\$ 718,485</u>	<u>\$ 350,154</u>	<u>\$ 1,068,639</u>

\$ 27,887	\$ -	\$ 27,887
85,850	-	85,850
<u>113,737</u>	<u>-</u>	<u>113,737</u>
604,748	-	604,748
-	350,154	350,154
<u>604,748</u>	<u>350,154</u>	<u>954,902</u>
<u>\$ 718,485</u>	<u>\$ 350,154</u>	<u>\$ 1,068,639</u>

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA

Statement of Activities For the Years Ended

	June 30, 2010		
	Unrestricted	Temporarily Restricted	Total
Support and Revenue			
Intergovernmental	\$ 2,907,162	\$ -	\$ 2,907,162
Charges for services	280,593	-	280,593
United Way allocation	-	147,446	147,446
Contributions and grants	99,305	-	99,305
Membership dues	49,906	-	49,906
Contributions and net revenue from Special events			
Contributions	222,875	-	222,875
Costs of direct benefits to donors	(47,356)	-	(47,356)
Other revenues	47,501	-	47,501
Total	<u>3,559,986</u>	<u>147,446</u>	<u>3,707,432</u>
Net assets released from restrictions	<u>185,500</u>	<u>(185,500)</u>	<u>-</u>
Total support and revenue	3,745,486	(38,054)	3,707,432
Expenses			
Program services			
Supported employment	567,880	-	567,880
Supported work contracts	264,854	-	264,854
Supported living	1,727,592	-	1,727,592
Community home			
Mallard Home	182,157	-	182,157
Early Intervention	329,779	-	329,779
Total program services	<u>3,072,262</u>	<u>-</u>	<u>3,072,262</u>
Supporting services			
Management and general	463,661	-	463,661
Fundraising	126,051	-	126,051
Total supporting services	<u>589,712</u>	<u>-</u>	<u>589,712</u>
Total expenses	<u>3,661,974</u>	<u>-</u>	<u>3,661,974</u>
Increase (decrease) in net assets	83,512	(38,054)	45,458
Net assets at beginning of year	<u>604,748</u>	<u>350,154</u>	<u>954,902</u>
Net assets at end of year	<u>\$ 688,260</u>	<u>\$ 312,100</u>	<u>\$ 1,000,360</u>

The accompanying notes are an integral part of these statements.

June 30, 2009

(Restated)

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 3,258,607	\$ 55,209	\$ 3,313,816
365,606	-	365,606
-	156,428	156,428
40,207	-	40,207
49,111	-	49,111
260,654	-	260,654
(63,477)	-	(63,477)
32,470	-	32,470
<u>3,943,178</u>	<u>211,637</u>	<u>4,154,815</u>
<u>172,248</u>	<u>(172,248)</u>	<u>-</u>
4,115,426	39,389	4,154,815
729,534	-	729,534
221,013	-	221,013
1,991,413	-	1,991,413
269,994	-	269,994
358,374	-	358,374
<u>3,570,328</u>	<u>-</u>	<u>3,570,328</u>
443,196	-	443,196
152,981	-	152,981
<u>596,177</u>	<u>-</u>	<u>596,177</u>
<u>4,166,505</u>	<u>-</u>	<u>4,166,505</u>
(51,079)	39,389	(11,690)
<u>655,827</u>	<u>310,765</u>	<u>966,592</u>
<u>\$ 604,748</u>	<u>\$ 350,154</u>	<u>\$ 954,902</u>

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA

Statements of Functional Expenses For the Year Ended June 30, 2010

	Program Services				
	Supported Employment	Supported Work Contracts	Supported Living	Mallard Home	Early Intervention
Salaries	\$ 384,603	\$ 115,943	\$ 1,358,553	\$ 82,156	\$ 190,992
Payroll taxes	30,129	449	105,586	6,298	14,359
Pension	4,889	-	12,570	854	6,136
Total salaries and related expenses	419,621	116,392	1,476,709	89,308	211,487
Dues and subscriptions	1,354	740	3,308	343	1,056
Food	2,102	289	752	5,625	1,279
Insurance	33,026	21,830	88,253	9,222	17,903
Interest	-	-	-	-	-
Licenses and inspections	1,137	284	2,954	1,119	441
Maintenance	15,134	15,680	3,371	4,384	2,386
Medical	2,865	281	9,232	1,430	457
Miscellaneous	920	4,050	2,815	12,530	4,311
Office supplies and postage	1,913	103	5,820	470	1,351
Professional fees	70	-	8,529	4,626	34,383
Public awareness	804	8,097	3,017	113	1,232
Rent	11,879	32,050	17,196	469	24,951
Supplies	2,850	26,900	3,062	4,896	1,097
Telephone	8,607	3,046	5,094	1,519	3,553
Training	1,301	23	3,627	26,471	7,356
Transportation	21,934	14,597	1,348	2,605	1,049
Travel	7,013	83	81,211	1,386	9,980
Utilities	8,386	12,802	9,926	6,557	3,401
Total	540,916	257,247	1,726,224	173,073	327,673
Depreciation of buildings and equipment	26,964	7,607	1,368	9,084	2,106
Total functional expenses	567,880	264,854	1,727,592	182,157	329,779
Allocation of central office overhead to programs	80,004	33	278,887	17,678	43,467
Total functional expenses after allocation of central office overhead	\$ 647,884	\$ 264,887	\$ 2,006,479	\$ 199,835	\$ 373,246

The accompanying notes are an integral part of these statements.

Supporting Services

Total Program Services	Management and General	Fund Raising	Total Supporting Services	Total Expenses
\$ 2,132,247	\$ 182,522	\$ 57,265	\$ 239,787	\$ 2,372,034
156,821	13,448	4,288	17,736	174,557
24,449	2,051	357	2,408	26,857
2,313,517	198,021	61,910	259,931	2,573,448
6,801	858	32	890	7,691
10,047	3,553	11	3,564	13,611
170,234	26,162	4,423	30,585	200,819
-	195	-	195	195
5,935	271	99	370	6,305
40,955	17,105	1,695	18,800	59,755
14,265	528	2	530	14,795
24,626	7,942	2,161	10,103	34,729
9,657	13,526	5,482	19,008	28,665
47,608	151,086	771	151,857	199,465
13,263	3,352	842	4,194	17,457
86,545	19,877	45,974	65,851	152,396
38,805	1,287	614	1,901	40,706
21,819	2,881	829	3,710	25,529
38,778	1,096	61	1,157	39,935
41,533	-	34	34	41,567
99,673	172	1,003	1,175	100,848
41,072	8,288	89	8,377	49,449
3,025,133	456,200	126,032	582,232	3,607,365
47,129	7,461	19	7,480	54,609
3,072,262	463,661	126,051	589,712	3,661,974
420,069	(417,923)	(2,146)	(420,069)	-
\$ 3,492,331	\$ 45,738	\$ 123,905	\$ 169,643	\$ 3,661,974

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA

Statements of Functional Expenses (Restated) For the Year Ended June 30, 2009

	Program Services				
	Supported Employment	Supported Work Contracts	Supported Living	Mallard Home	Early Intervention
Salaries	\$ 472,470	\$ 120,695	\$ 1,513,111	\$ 116,730	\$ 212,281
Payroll taxes	37,306	23	117,375	9,417	15,810
Pension	5,714	-	17,188	1,220	4,279
Total salaries and related expenses	515,490	120,718	1,647,674	127,367	232,370
Dues and subscriptions	1,379	-	3,240	497	1,121
Food	2,834	236	1,334	8,519	1,054
Insurance	64,310	7,709	156,692	40,430	20,911
Interest	149	-	287	533	22
Licenses and inspections	837	600	4,312	1,021	253
Maintenance	4,572	12,181	5,582	6,464	5,228
Medical	1,960	-	6,279	8,029	571
Miscellaneous	1,072	514	676	19,498	1,765
Office supplies and postage	2,697	144	5,254	956	1,491
Professional fees	434	-	18,612	3,554	30,734
Public awareness	1,849	5,123	3,100	140	3,257
Rent	13,963	33,600	13,889	806	31,496
Supplies	3,328	18,711	4,440	4,471	976
Telephone	8,589	2,720	4,538	1,540	3,563
Training	19,528	-	11,306	30,849	3,903
Transportation	37,736	10,922	1,248	2,445	2,193
Travel	10,819	-	88,626	654	11,004
Utilities	7,568	6,215	11,219	8,544	4,668
Total	699,114	219,393	1,988,308	266,317	356,580
Depreciation of buildings and equipment	30,420	1,620	3,105	3,677	1,794
Total functional expenses	729,534	221,013	1,991,413	269,994	358,374
Allocation of central office overhead to programs	80,485	-	231,384	30,207	41,205
Total functional expenses after allocation of central office overhead	\$ 810,019	\$ 221,013	\$ 2,222,797	\$ 300,201	\$ 399,579

The accompanying notes are an integral part of these statements.

Supporting Services

Total Program Services	Management and General	Fund Raising	Total Supporting Services	Total Expenses
\$ 2,435,287	\$ 176,594	\$ 46,922	\$ 223,516	\$ 2,658,803
179,931	13,301	3,738	17,039	196,970
28,401	4,158	570	4,728	33,129
2,643,619	194,053	51,230	245,283	2,888,902
6,237	2,195	-	2,195	8,432
13,977	11	5,072	5,083	19,060
290,052	21,218	12,282	33,500	323,552
991	331	-	331	1,322
7,023	165	85	250	7,273
34,027	19,570	878	20,448	54,475
16,839	135	115	250	17,089
23,525	8,465	4,097	12,562	36,087
10,542	13,969	6,374	20,343	30,885
53,334	131,139	194	131,333	184,667
13,469	8,285	2,287	10,572	24,041
93,754	20,172	67,114	87,286	181,040
31,926	1,978	410	2,388	34,314
20,950	4,265	420	4,685	25,635
65,586	1,811	255	2,066	67,652
54,544	363	-	363	54,907
111,103	726	26	752	111,855
38,214	7,417	1,658	9,075	47,289
3,529,712	436,268	152,497	588,765	4,118,477
40,616	6,928	484	7,412	48,028
3,570,328	443,196	152,981	596,177	4,166,505
383,281	(361,711)	(21,570)	(383,281)	-
<u>\$ 3,953,609</u>	<u>\$ 81,485</u>	<u>\$ 131,411</u>	<u>\$ 212,896</u>	<u>\$ 4,166,505</u>

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA

Statements of Cash Flows

	For the Years Ended June 30,	
	2010	2009 (Restated)
Cash Flows From Operating Activities		
Increase (Decrease) in Net Assets	\$ 45,457	\$ (11,690)
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities		
Depreciation	54,609	48,028
Gain on sale of assets	-	(1,000)
Changes in assets and liabilities		
Accounts receivable	63,291	5,279
Other assets	(3,867)	6,458
Accounts payable and accrued expenses	25,376	(25,452)
Total Adjustments	139,409	33,313
Net cash provided (used) by operating activities	184,866	21,623
Cash Flows From Investing Activities		
Purchases of certificates of deposit	(7,840)	(241,225)
Purchases of fixed assets	(9,037)	(98,199)
Retirements of fixed assets	-	42,199
Proceeds from sales of assets	-	1,000
Net cash provided (used) by investing activities	(16,877)	(296,225)
Cash Flows From Financing Activities		
Payments on notes payable	-	(44,821)
Net cash provided (used) by financing activities	-	(44,821)
Net Increase (Decrease) in Cash	167,989	(319,423)
Cash at Beginning of Year	192,729	512,152
Cash at End of Year	\$ 360,718	\$ 192,729
Supplemental Disclosures:		
Cash paid for interest	\$ 195	\$ 1,323

The accompanying notes are an integral part of these statements.

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA

Notes To The Financial Statements

For the Year Ended June 30, 2010

Note 1 - Description of Organization

The Association for Retarded Citizens/Ouachita (the Association) dba ARCO was established in 1954 to promote the general welfare of all persons with developmental disabilities within its service area which generally includes the Northeast portion of Louisiana. Their programs are designed to assist and train clients to become independent citizens within their service area. The principal programs consist of vocational training, residential living and early intervention.

Note 2 - Summary of Significant Accounting Policies

A. Basis of Presentation

The financial statements have been prepared on an accrual basis and in conformity with the standards promulgated by the American Institute of Certified Public Accountants in its *Audit Guide for Not-For-Profit Organizations*.

In June 2009, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) 105, "*Generally Accepted Accounting Principles*", and established the FASB Standards Accounting Codification (the Codification) as the single source of authoritative United States generally accepted accounting principles (GAAP) for all non-governmental entities. The Codification, which became effective July 1, 2009, changes the referencing and organization of accounting guidance and literature. Accordingly, GAAP pronouncements are now referenced as ASC's. The issuance of this Codification did not change GAAP, and therefore the adoption of this guidance only affected how specific references to GAAP literature are disclosed in the Corporation's financial statements.

The financial statements of the Association are presented as recommended by the Financial Accounting Standards Board in ASC 958-205, *Not For Profit Entities-Presentation of Financial Statements*. Under ASC 958-205, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At June 30, 2010, the Association had no permanently restricted net assets.

B. Contributions-Cash

The Association has also adopted ASC 658-605, *Not For Profit Entities-Revenue Recognition*. In accordance with ASC 658-605, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA

Notes To The Financial Statements
For the Year Ended June 30, 2010

the existence or nature of any donor restrictions. Under ASC 658-605, such contributions are required to be reported as temporarily restricted support and then reclassified to unrestricted net assets upon satisfaction of the related restrictions.

C. Contributions-NonCash

Members, agencies, business firms, volunteers and others contribute substantial services toward the fulfillment of projects initiated by the Association. In addition, substantial goods are donated to the Association's store. No amounts have been recognized in the Statement of Activities for the contribution because the criteria for recognition under ASC 658-605 have not been satisfied.

D. Land, Buildings and Equipment

Land, buildings and equipment are stated at cost. All donated capital assets are recorded at fair market value on the date of the donation. The Association capitalizes all property value at \$1,000 or more and an estimated useful life of one year or more. Depreciation is computed on a straight-line basis over the useful lives of the assets using the following estimated lives:

	<u>Years</u>
Buildings	15 - 30
Furniture and Equipment	3 - 10
Vehicles	5

E. Compensated Absences

ARCO's vacation policy does not provide for the carryover of vacation to the subsequent year. The financial statements do not include an accrual since all vacation was used during the year ended June 30, 2010. Sick days may be accumulated to a maximum of 15 days; however, employees are not paid for any unused sick days upon termination and therefore an accrual for sick leave is not reflected in the financial statements.

F. Functional Expenses

Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases.

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA

Notes To The Financial Statements

For the Year Ended June 30, 2010

G. Programs

The Association's principal programs and primary funding sources are:

Supported Employment – This income is derived primarily from the Louisiana Department of Health and Hospitals through two Medicaid Waivers, the NOW and the Supports Waiver. These funds are used to train clients in vocational and prevocational activities and supportive services. Also, some income is derived from the Department of Social Services, Office of Louisiana Rehabilitative Services. This program specifically provides vocational training support to clients placed in jobs within the community.

Day Habilitation provides meaningful non-work day activities to men and women and is funded by Medicaid's NOW and Supports Waivers as well.

Supported Work Contracts - Supported Work Contract's income is derived from cleaning and document destruction services by clients and the operations of the Sassy Kats clothing store.

Supported Living - Supported Living's primary income is derived from the Louisiana Department of Health and Hospitals Medicaid NOW Waiver. This home and community based program helps the individual clients become more independent by providing support and training in their personal residences within the community. State funds for those without Medicaid Waivers are provided by the Office for Citizens with Developmental Disabilities, and some individuals are private pay.

Mallard Home – Mallard Home's income is derived from the Louisiana Department of Health and Hospitals Intermediate Care Facility for the Developmentally Disabled (ICF/DD) Medicaid Program. Clients pay a pro-rata share of the costs based on their income. This program provides clients with a home environment within the community and helps them become more independent citizens. Typically, clients in Mallard Home are trained also in the Supported Employment program.

Early Intervention - Early Intervention's income is derived from the Louisiana Department of Health and Hospitals, United Way, grants, non-profit agencies, and charges for therapeutic services (private insurance). This program provides training and therapeutic services to disabled infants, ages 0-3 years. Additionally, ARCO serves a few children over the age of 3 years through private health insurance or private pay.

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA

Notes To The Financial Statements

For the Year Ended June 30, 2010

H. Tax-Exempt Status

The Association is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for Federal income taxes. Contributions to the Association are tax deductible within the limitations prescribed by the Code.

I. Cash and Cash Equivalents and Investments

For purposes of the Statement of Cash Flows, the Association considers demand deposits, time deposits and certificates of deposit with an original maturity of three months or less to be cash equivalents.

J. Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

K. Reclassifications

The prior year financial statements have been restated (see Note 11) and minor reclassifications have been made to the prior year financial statements to make them comparable to the current year's presentation.

Note 3 - Land, Building and Equipment

Land, Building and Equipment consisted of the following at June 30, 2010:

Buildings and Improvements	\$ 192,760
Furniture and Equipment	144,409
Vehicles	348,510
Land	38,138
Less: Accumulated Depreciation	<u>(546,807)</u>
Net Land, Building and Equipment	<u>\$ 177,010</u>

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA

Notes To The Financial Statements

For the Year Ended June 30, 2010

Included in vehicles above are five vehicles that cost a total of \$171,274 that were acquired through Federal grants along with 20% matching funds from the Association. The Association retains the use of those vehicles as long as they are kept, maintained and used for the Association's designated purpose. Those vehicles are not to be sold or disposed of either during their useful lives (5 years or 100,000 miles) without the state's permission; therefore, these vehicles less the related accumulated depreciation of \$102,361 are shown as temporarily restricted.

Note 4 - Notes Payable

Notes payable consisted of two notes that were retired during the year ended June 30, 2009.

A letter of credit in the amount of \$100,000 was issued by Capital One Bank. It is secured by all funds on deposit with them and provides a variable simple interest rate to be adjusted monthly to one percent (1%) over the Wall Street Journal prime rate. There was no outstanding debt on this line of credit at June 30, 2010 and nothing has been advanced to the Association since then. The line of credit is subject to annual renewal in December of each year.

Note 5 - Temporarily Restricted and Designated Net Assets

The following summarizes net assets that are temporarily restricted as of June 30, 2010:

Investments-Building Fund	\$ 106,509
Accounts Receivable - United Way (Note 2-B)	136,678
Vehicles - DOTD	171,274
Less: Accumulated Depreciation	<u>(102,361)</u>
Total	<u>\$ 312,100</u>

During a prior year, the Kitty DeGree Foundation pledged and paid a matching grant of \$50,000 for ARCO's building program. Those funds were to be earned based on other donations that are received and dedicated to the building program. Sufficient matching funds were received, qualifying the pledge for recognition as temporarily restricted support. During the year ended June 30, 2010, the Board of Directors designated \$14,447, in addition to \$9,631 in 2009, to be set aside for the building program and is included in unrestricted net assets.

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA

Notes To The Financial Statements

For the Year Ended June 30, 2010

Note 6 - Disclosures About Concentrations

The Association's cash and cash investments are on deposit with three Federally-insured financial institutions. The amounts on deposit totaled \$623,600 all of which was insured by federal deposit insurance at June 30, 2010.

The Association's contracts are primarily with government agencies; therefore, a majority of its revenue and accounts receivable are derived from those sources.

Note 7 - Operating Leases

Total rent expense for the year was \$152,396. The Association has several lease commitments. However, these leases are either on a month-to-month basis or contain "funding-out" clauses which allow the agreements to be cancelled.

Note 8 - Commitments and Contingencies

The Association receives the majority of its revenue based on contracts with various Federal and state agencies. These contracts are subject to review by the respective agencies which could result in disallowed costs. Additionally, funding levels are subject to review on a periodic basis by the grantor agencies, which could result in changes in funding levels.

Note 9 - Related Party Transactions

The matching grant from the Kitty DeGree Foundation, described in Note 5 above, is a related party transaction since Ms. Kitty DeGree serves on the Board of Directors of the Association.

Note 10 - Tax Deferred Annuity Plan

The Association offers its employees a tax deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers full-time employees of the Association. ARCO will match up to 3% of gross salaries of qualified employees who elect to participate in the plan. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. ARCO contributed \$26,855 on behalf of the participants for the year ended June 30, 2010.

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA
Notes To The Financial Statements
For the Year Ended June 30, 2010

Note 11 - Restatements

The Association restated the 2009 financial statements by increasing revenues and receivables by \$90,188 to reflect services performed in 2009 but compensated for in 2010.

Note 12 – Subsequent Events

Management has evaluated subsequent events through October 25, 2010, the date which the financial statements were available to be issued, and it has been determined that the following significant events occurred for disclosure:

Effective August 1, 2010, the service rates for the NOW and supports waiver were reduced 2% or approximately \$4,500 per month.

The Association opted to recommence Bingo operations effective early July 2010.

OTHER SUPPLEMENTARY DATA

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA

Combining Schedule of Financial Position

June 30, 2010

Schedule 1

	<u>General Fund</u>	<u>Supported Employment</u>	<u>Supported Work Contracts</u>	<u>Supported Living</u>
Assets				
Cash	\$ 359,263	\$ -	\$ 1,455	\$ -
Investments	249,065	-	-	-
Accounts receivable				
Services	43	33,133	20,952	121,129
Contributions	3,000	-	-	-
United Way	136,678	-	-	-
Other	6,804	3	-	5,003
Due from other funds	219,890	-	-	-
Land, building and equipment	247,845	137,449	157,415	36,760
Accumulated depreciation	(178,974)	(61,036)	(156,193)	(36,760)
Prepaid expenses	3,226	122	116	-
Other deposits	2,975	-	1,460	-
Total Assets	\$ 1,049,815	\$ 109,671	\$ 25,205	\$ 126,132
Liabilities and net assets				
Liabilities				
Accounts payable	\$ 36,653	\$ 4,647	\$ 4,425	\$ 8,190
Due to other funds	-	93,202	17,771	75,142
Accrued payroll and taxes	12,802	11,822	3,009	42,800
Total liabilities	49,455	109,671	25,205	126,132
Net Assets				
Unrestricted	688,260	-	-	-
Temporarily restricted	312,100	-	-	-
Total net assets	1,000,360	-	-	-
Total liabilities and net assets	\$ 1,049,815	\$ 109,671	\$ 25,205	\$ 126,132

<u>Mallard Home</u>	<u>Early Intervention</u>	<u>Total All Funds</u>
\$ -	\$ -	\$ 360,718
-	-	249,065
9,244	5,734	190,235
-	-	3,000
-	-	136,678
588	1,770	14,168
-	-	219,890
110,344	34,004	723,817
(94,489)	(19,355)	(546,807)
-	-	3,464
-	700	5,135
<u>\$ 25,687</u>	<u>\$ 22,853</u>	<u>\$ 1,359,363</u>

\$ 3,035	\$ 3,072	\$ 60,022
20,241	13,534	219,890
<u>2,411</u>	<u>6,247</u>	<u>79,091</u>
25,687	22,853	359,003

-	-	688,260
-	-	312,100
<u>-</u>	<u>-</u>	<u>1,000,360</u>

<u>\$ 25,687</u>	<u>\$ 22,853</u>	<u>\$ 1,359,363</u>
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ASSOCIATION FOR RETARDED CITIZENS/OUACHITA

Combining Schedule of Activities
For the Year Ended June 30, 2010
With Comparative Totals for the Year Ended June 30, 2009 (Restated)

Schedule 2

	General Fund	Supported Employment	Supportive Work Contracts	Supported Living
Support and Revenue				
Intergovernmental	\$ -	\$ 575,703	\$ -	\$ 2,054,435
Charges For Services	127	24,642	187,600	26,863
Contributions and Grants	41,757	2,025	110	-
United Way Allocation	-	-	-	-
Membership Dues	49,906	-	-	-
Contributions and Net Revenues from Special Events				
Contributions	222,875	-	-	-
Costs of Direct Benefit to Donors	(47,356)	-	-	-
Other Revenues	55,937	(22,496)	(548)	(2,455)
Total support and revenue	323,246	579,874	187,162	2,078,843
Expenses				
Depreciation and Amortization	120	27,649	7,607	3,852
Dues and Subscriptions	441	1,438	740	3,612
Food	2,921	2,222	289	1,187
Insurance	3,617	39,912	21,830	104,020
Interest	195	-	-	-
Licenses and Inspections	213	1,166	284	3,061
Maintenance	2,483	18,186	15,680	14,414
Medical	144	2,943	281	9,513
Miscellaneous	3,474	2,158	4,050	7,302
Office Supplies and Postage	14,037	2,835	136	9,163
Payroll Taxes	5,240	32,463	449	114,046
Pension	123	5,616	-	13,688
Professional Fees	4,837	27,532	-	108,057
Public Awareness	2,855	1,054	8,097	3,923
Rent	50,509	14,745	32,050	27,582
Salaries	74,379	415,500	115,943	1,470,529
Supplies	964	3,025	26,900	3,696
Telephone	1,106	9,170	3,046	6,793
Training	85	1,501	23	4,353
Transportation	34	21,934	14,597	1,348
Travel	321	7,173	83	81,789
Utilities	1,545	9,662	12,802	14,551
Total Expenses	169,643	647,884	264,887	2,006,479
Excess (Deficiency) of Revenues Over Expenses	153,603	(68,010)	(77,725)	72,364

Mallard Home	Early Intervention	Total June 30,	
		2010	2009 (Restated)
\$ 139,930	\$ 137,094	\$ 2,907,162	\$ 3,313,816
32,106	9,255	280,593	365,606
	55,413	99,305	40,207
-	147,446	147,446	156,428
-	-	49,906	49,111
-	-	222,875	260,654
-	-	(47,356)	(63,477)
(106)	17,169	47,501	32,470
171,930	366,377	3,707,432	4,154,815
9,232	6,149	54,609	48,028
361	1,099	7,691	8,432
5,651	1,341	13,611	19,060
11,272	20,168	200,819	323,552
-	-	195	1,322
1,125	456	6,305	7,273
5,040	3,952	59,755	54,475
1,447	467	14,795	17,089
12,797	4,948	34,729	36,087
669	1,825	28,665	30,885
6,800	15,559	174,557	196,970
920	6,510	26,857	33,129
10,537	48,502	199,465	184,667
167	1,361	17,457	24,041
1,086	26,424	152,396	181,040
88,806	206,877	2,372,034	2,658,803
4,934	1,187	40,706	34,314
1,620	3,794	25,529	25,635
26,514	7,459	39,935	67,652
2,605	1,049	41,567	54,907
1,420	10,062	100,848	111,855
6,832	4,057	49,449	47,289
199,835	373,246	3,661,974	4,166,505
(27,905)	(6,869)	45,458	(11,690)

(Continued)

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA

Combining Schedule of Activities (Concluded)

For the Year Ended June 30, 2010

With Comparative Totals for the Year Ended June 30, 2009 (Restated)

Schedule 2

	<u>General Fund</u>	<u>Supported Employment</u>	<u>Supportive Work Contracts</u>	<u>Supported/ Independent Living</u>
Other financing sources (uses)				
Operating Transfers In		68,010	77,725	-
Operating Transfers (Out)	(108,145)	-	-	(72,364)
Total Other Financing Sources (Uses)	<u>(108,145)</u>	<u>68,010</u>	<u>77,725</u>	<u>(72,364)</u>
Increase (Decrease) in Net Assets	45,458	-	-	-
Net Assets at Beginning of Year	<u>954,902</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets at End of Year	<u>\$ 1,000,360</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Mallard Home	Early Intervention	Total June 30,	
		2010	2009 (Restated)
27,905	6,869	180,509	445,874
-	-	(180,509)	(445,874)
27,905	6,869	-	-
-	-	45,458	(11,690)
-	-	954,902	966,592
\$ -	\$ -	\$ 1,000,360	\$ 954,902

SUPPLEMENTARY INFORMATION

LUFFEY, HUFFMAN, RAGSDALE & SOIGNIER

(A PROFESSIONAL ACCOUNTING CORPORATION)
CERTIFIED PUBLIC ACCOUNTANTS

John L. Luffey, MBA, CPA (1963-2002)
Francis I. Huffman, CPA
Phillip A. Ragsdale, CPA
David Ray Soignier, CPA, MBA

John Herman, CPA
Lynn Andries, CPA
Esther Alteberry, CPA
Sandra Harrington, CPA

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

**The Board of Directors
Association for Retarded Citizens / Ouachita
Monroe, Louisiana**

We have audited the financial statements of the **Association for Retarded Citizens/Ouachita** (the Association) as of and for the year ended June 30, 2010, and have issued our report thereon dated October 25, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Association's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as finding 10-01 to be a material weakness.

**The Board of Directors
Association for Retarded Citizens/Ouachita**

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted a certain matter that we reported to management and those charged with governance of the Association in a separate letter dated October 25, 2010.

The Association's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Association's response and, accordingly, we express no opinion on their response.

This report is intended for the information of management of the Association, awarding agencies and pass-through entities, other entities granting funds to the Association and the Legislative Auditor for the state of Louisiana and is not intended to be used and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Laffey Huffman, Rozdale, & Sigmund

(A Professional Accounting Corporation)

October 25, 2010

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA

Schedule of Findings For the Year Ended June 30, 2010

10-01 General Ledger Accounting

Finding:

Internal control is a process designed to provide reasonable assurance about the achievement of the entity's objectives with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The prior year audit indicated significant deficiencies in the design and implementation of internal control such that an opinion on the amount of misstatement presented in the financial statements could not be given. Prior to the end of the current fiscal year, the designs of the internal controls were improved but the implementation of the internal controls failed to be improved in a similar manner.

A sound system of internal control requires review and reconciliation of all accounts to ensure proper recording of all transactions. We noted that such reviews and reconciliations are not being completed on a regular basis and, even when completed, fail to be done with the competency required to instill confidence in the account balances. In the case of transaction reviews of general ledger accounts, review appears to only occur when a problem arises. Regular review of all general ledger accounts and associated transactions by an individual fluent in the accounting processes and procedures had not been completed. Even when such reviews were completed in response to a issue, the problem could not be located, or in cases where located, could not be explained in sufficient detail to understand the cause and resolve the issue.

While procedures were put in place during the fiscal year for account reconciliations to be performed, implementation of the controls was limited. In the case of bank statement reconciliations, instances were found where bank and general ledger balances did not reconcile and cases of forced reconciliation through adjustments were observed regularly. Accounts receivable, accounts payables, payroll and property accounts did not appear to be reconciled as a part of normal procedures.

A new policy of documenting journal entries and the associated procedures was implemented during the fiscal year with limited success. Documentation failed to be maintained in an organized, complete manner. Entries were noted that were not supported by sufficient explanation or appropriate approval. In addition, there was no systematic methodology in place to ensure that all journal entries were accounted for. The personnel reviewing the journal entries were also found to have only a limited understanding of the reasons for the entries and review of the completed entries did not appear to be performed at any level.

Recommendation:

We recommend that internal control design and implementation be conducted by an individual possessing the level of education and skill required to understand a complex fund accounting system and be qualified to review and reconcile accounts on a minimum of a monthly basis. Proper support for all transactions and journal entries should be approved by appropriate

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA

Schedule of Findings For the Year Ended June 30, 2010

supervisory personnel, fully documented, and filed in an organized manner in order to provide a complete audit trail. Staff should be educated on proper accounting procedures and the importance of performing transactions accurately.

Management's Corrective Action Plan:

In June, 2010, the Association implemented an updated policy and procedure on the receipt of funds to the organization. This policy has been followed consistently and is providing an increased level of internal controls over that function and complete documentation to support our financial records.

Since August, 2010, the Association has employed an individual to fill the Business Director position that has experience with not-for-profit and fund accounting. She has reviewed all transactions for the current year and performed month-end reconciliations on all balance sheet accounts, and will continue to do this in the future. Any needed adjustments are made at the time of reconciliation and posted in the appropriate month with no items being recorded to force reconciliations. For continuing education, she will be attending two 8-hour courses in November, 2010, on internal controls and controllership functions. She will then share the information obtained at those courses with the accounting staff and implement any needed changes to ensure the timeliness and integrity of the financial statements and related accounting reports.

The Association will continue to review its recording procedures to make sure transactions and journal entries have proper documentation and approval to provide a complete audit trail. The Association will also continue to improve the internal controls and monitor them regularly to make sure they are strictly enforced. The accounting and billing staff will have regular meetings to provide assurance that staff has the information needed to do their jobs accurately and timely and to address issues prior to them becoming problems.

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA

Status of Prior Year Findings For the Year Ended June 30, 2010

The following is a summary of the status of prior year findings and management letter included in the Luffey, Huffman, Ragsdale, & Soignier (APAC) audit report dated March 19, 2010 in connection with the audit of the financial statements of the Association of Retarded Citizens / Ouachita for the year ended June 30, 2009.

09-01 General Ledger Accounting

Finding:

We noted numerous discrepancies in the general ledger to the extent that we are unable to determine with any confidence what various account balances should be. Assets, liabilities, revenues and expenses had net adjustments that lowered the year end balances materially. In addition, there was no supporting documentation for many transactions including adjusting entries. Failure of internal controls and insufficient audit trails appear to be underlying causes of the inaccurate balances.

Status:

Internal controls have been established to achieve reconciliations necessary to correctly account for the funds on an on-going basis. However, controls were not enforced during the current audit year resulting in continued difficulties with general ledger accounting as noted in Finding 10-01.

09-02 Remittance of Employee Pension Plan Funds

Finding:

Shortly after a change in personnel, pension contribution records were moved from a spreadsheet program to a database. During this process, the records of 14 employees were set up to be filtered out of the pension transmission calculations resulting in the failure to transmit the contributions of these employees to the pension plan. The discrepancy was not discovered for approximately one year due to the accounts affected not being regularly reconciled.

Status:

A process wherein the immediately closed expenditures for the month are compared to the month prior to that by the Business Director who looks for large discrepancies and addresses any that is found. There have been no contributions of pension missed in this fiscal year.

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA

Status of Prior Year Findings For the Year Ended June 30, 2010

09-03 Financial Statements Not Filed Timely

Finding:

Louisiana Revised Statute 24:513 requires that the Association prepare and submit its audited financial statements to the Louisiana Legislative Auditor no later than six months after the end of the most recent fiscal year. Due to the conditions described in Finding 09-01, the financial statements were not in a condition to be audited within the time frame prescribed by law.

Status:

The 2009-2010 Audit is within the required 6 month deadline as the CPA firm began the process within the month of July.

LUFFEY, HUFFMAN, RAGSDALE & SOIGNIER

(A PROFESSIONAL ACCOUNTING CORPORATION)
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Esther Atteberry, CPA
Sandra Harrington, CPA

MANAGEMENT LETTER

**The Board of Directors
Association for Retarded Citizens / Ouachita
Monroe, Louisiana**

In planning and performing our audit of the financial statements of the Association for Retarded Citizens/Ouachita (the Association) for the year ended June 30, 2010, we considered the Association's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting or overall compliance with laws and regulations.

However, during our audit we became aware of a certain matter that is an opportunity for strengthening internal controls, operating efficiency and the overall environment for compliance with laws and regulations. This letter will summarize our comments and suggestions regarding that matter. This letter does not affect our report dated October 25, 2010 on the financial statements of the Association.

Current Documentation of Internal Control

Management of the Association is charged with establishing and maintaining internal control and to assess internal control for effectiveness in design and operation. Those components are outlined in the Committee of Sponsoring Organizations of the Treadway Commission Report (commonly referred to as the COSO Report, or COSO) and consist of the Control Environment; Risk Assessment; Control Activities; Information and Communication; and Monitoring. While certain elements of the components of internal control exist and have been documented by the Association, the documentation has not been kept up-to-date for changes in personnel, processes and/or circumstances.

For management and those charged with governance to properly discharge their responsibility to establish and maintain internal control, there must exist a level of documentation of internal control sufficient to allow them to assess operating effectiveness and design, not just at a point in time, but over a period of time. As personnel, processes and/or circumstances change, the documentation of internal control should be updated to reflect the current operating environment.

We recommend that management update the existing documentation of internal control and expand their documentation of the internal control over financial reporting as might be required using the COSO framework or such other framework as might prove useful in order that they may more easily discharge their responsibility to design and implement controls and monitor those controls for effectiveness over time.

Management's Corrective Action Plan:

Agency Management is aware of the need to maintain internal controls over agency activities and has historically maintained an Internal Control Document as well as Policy and Procedure Manuals. As stated the two are in need of being updated. Agency management is in agreement that these tools will be updated.

In addition, management will research the COSO report requirements in regard to the areas of Control Environment, Risk Assessment, Information and Communication, Monitoring, and Control Activities. A cost/benefit analysis will be presented to the agency Finance Committee/Board of Directors to determine the extent such an undertaking of developing a framework will be effective for the agency. A determination or plan to develop a framework (or pieces of a framework) will be made by the Board of Directors.

Luffey, Huffman, Rozdale, & Siggins

(A Professional Accounting Corporation)

October 25, 2010